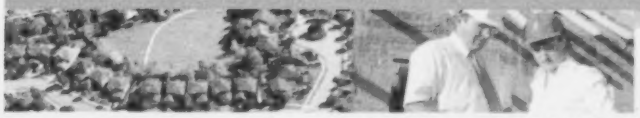
HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK

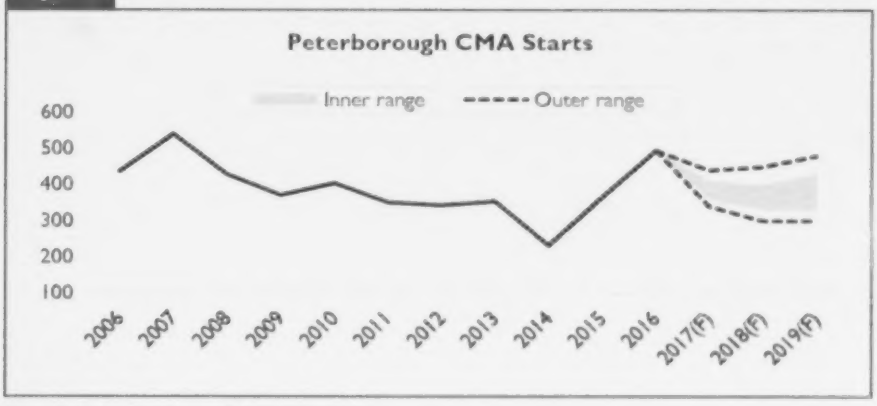
Peterborough CMA



CANADA MORTGAGE AND HOUSING CORPORATION

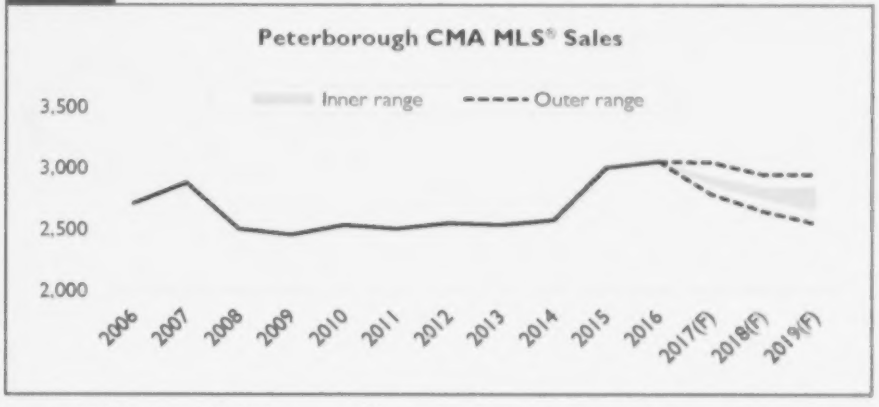
Date Released: Fall 2017

Figure 1



Source: CMHC (F) = CMHC Forecast

Figure 2



Source: CREA; (F) = CMHC Forecast. ® MLS is a registered trademark of the Canadian Real Estate Association (CREA).

Highlights[1]

- Total housing starts will range between 330 and 400 in 2018 and between 330 and 430 in 2019.
- Resale demand will remain strong, with sales ranging between 2,750 and 2,850 in 2018 and between 2,650 and 2,850 in 2019.
- The resale market will be balanced in 2018 with the average price ranging between $373,000 and $386,000 and between $376,000 and $394,000 in 2019.

New Home Market: Housing Starts to Decline

Total housing starts in the Peterborough Census Metropolitan Area (CMA) are expected to trend lower through 2018 and stabilize in 2019. Apartment starts will drop significantly in 2017 after reaching a 25-year high of 129 units in 2016. Demand for apartments is growing at a slow rate in Peterborough, so one apartment building can produce enough supply to satisfy demand for a considerable period.

[1] The forecasts and historical data included in this document reflect information available as of October 2, 2017.

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Some of the 2018 and most of the 2019 apartment starts will be affordable rental.

Single-detached starts will decline through 2019 after reaching a 9-year high of 324 units in 2016. Demand was driven up by migration from the Greater Toronto Area (GTA). The provincial growth plan requires Peterborough and other Ontario municipalities to increase higher-density housing, limiting the land available for single-detached construction.

An increase in migration from the GTA could push housing starts toward the upper bound of the outer range over the next two years. Alternatively, if inventories rise, builders could delay additional projects, resulting in starts trending closer to the lower bound of the outer range.

Figure 3

Source: CREA (F) = CMHC Forecast; ® MLS is a registered trademark of the Canadian Real Estate Association (CREA)

Existing Home Market: Moving to Balance

After soaring above 3,000 sales per year during the 2015-2016 period, sales are forecast to trend lower through 2019. In fact, recent data show a rebalancing from higher levels of sales during the same period last year. Slightly higher interest rates in 2018 and 2019 will keep sales below previous highs.

The double-digit price appreciation in early 2017 motivated a greater number of local households to list their current homes for sale, lowering the sales-to new- listings ratio[2] (SNLR) below 70%. Listings are expected to grow. The growth will be enough to bring the SNLR below sixty per cent, which would indicate that the market will move from favouring sellers to balance between buyers and sellers through 2019, easing the pressure on prices.

As market conditions become more balanced, prices will moderate and the overall price in 2018 will be slightly lower than in 2017, yet the average price is expected to bottom out in late 2017. The first-time buyers from the GTA who want to live in a ground-oriented house will continue to broaden their geographic scope. Some of them will consider Peterborough as a place to live, as the average price of an existing single-detached home in Peterborough is approximately one-third of the average price of an existing single-detached home in the GTA.

Greater than anticipated migration to Peterborough may push the sales and pricing forecast toward the upper bound of the outer range. Alternatively, a faster erosion of affordability and weaker than expected employment could have the opposite effect and push the sales forecast towards the lower bound of the outer range.

Rental Market: Vacancy Rate to Stabilize

The vacancy rate[3] is anticipated to edge lower in 2017 and stabilize around 1% during the forecast period. Rental supply will remain virtually unchanged in 2017 with no rental apartment completions between July 2016 and June[4] 2017.

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[2] New listings are a gauge of the supply of existing homes, while sales are a proxy for demand. The SNLR is an indicator of price pressure in the existing home market. In Peterborough market area, a sales to new listings ratio above 60 % is associated with a sellers' market. In a sellers' market, home prices typically rise more rapidly than the general inflation.

[3] In apartment structures with three or more units purpose-built for the rental market.

[4] The cut-off date for inclusion of a newly completed rental structures into the CMHC Rental Market Survey is June 30.

During the same period there were no completions of any condominium apartments nor student housing, which usually compete with the rental market for tenants. However, the 2018 rental supply is going to be affected by at least 33 rental apartment units that were completed after the June 30th cut-off date. As of September 2017 there were 18 rental units under construction. A number of rental and condominium apartments are in the planning stage and will be started during the next two years.

The 2018 and 2019 rental demand is expected to increase slightly due to increases in net migration, continued support of local student renting population and a growing senior population. Some seniors aged 75 or older might choose to transition into a retirement home instead of rental. A newly opened retirement home in Selwyn Township and an upcoming one in the City of Peterborough will absorb most of the demand for retirement accommodation coming from the 75+ population during the next few years.

Fewer people will be transitioning into homeownership due to growth in mortgage carrying costs caused by higher prices and slightly higher mortgage rates. As fewer tenants will move out of their units the rent increase would be moderate within 2% range in both 2018 and 2019.

Economic Trends: A Slower Housing Market Impacts Job Growth

Employment has rebounded in 2017 and is expected to show modest increases in 2018 and 2019, keeping the rate of unemployment below 7%. The majority of the employment gains this year have been in full-time jobs, supported by multiple private and public sector initiatives.

Several public investments are already under way, such as the Thompson Bay Dam reconstruction and the ongoing Otonabee Dam Deck rehabilitation. The Province of Ontario is partnering with a local manufacturing company to expand its operations, a timely decision to support local jobs after another major manufacturing company announced its closure in the fall 2018.

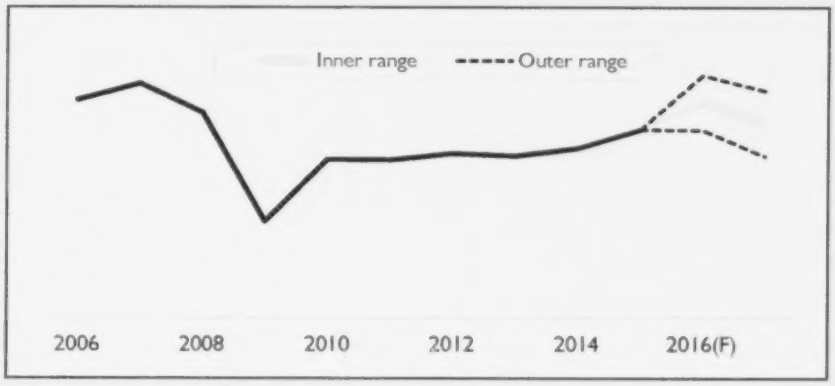
Slower housing market activity will lead to less hiring in the real estate, financial and professional services sectors. On the other hand, a greater number of people will have jobs in the health care and social assistance sector, as demand from the aging population increases for these type of services.

Methodology for forecast ranges

The present edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. Despite this change, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available. Two sets of ranges are presented in the publication:

- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This range provides precision and direction for forecasts of housing variables, given a specific set of assumptions for the market conditions and underlying economic fundamentals.
- An outer range, which reflects potential risks to the forecast due to, for example, the impact of economic shocks. The outer range is based on a broader coefficient of variation of historical data and on past forecast accuracy. This range includes some low-probability events that could have a significant impact on the forecast.

Downward (or upward) adjustments to the ranges may be applied based on local market intelligence if there are more sources of risks (upside or downside) for that specific market.



* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

Forecast Summary Peterborough CMA Fall 2017									
	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	203	296	324	270	300	220	260	190	250
Multiples	29	69	171	90	120	110	140	140	180
Starts - Total	232	365	495	360	410	330	400	330	430
Resale Market									
MLS® Sales	2,578	3,006	3,057	2,860	2,930	2,750	2,850	2,650	2,850
MLS® Average Price($)	280,685	297,847	325,795	386,000	394,000	373,000	386,000	376,000	394,000
Economic Overview									
Mortgage Rate(5 year)(%)	4.88	4.67	4.66	4.60	5.00	4.90	5.70	5.20	6.20

	2014	2015	2016	2017(F)	2018(F)	2019(F)
Rental Market						
October Vacancy Rate (%)	2.9	3.7	1.0	0.9	1.0	1.2
Two-bedroom Average Rent (October)($)	952	959	980	1,000	1,020	1,040
Economic Overview						
Population	123,028	123,435	124,082	124,500	124,900	125,300
Annual Employment Level	60,500	61,200	59,500	60,800	61,300	61,700

Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 2nd October 2017. (L)=Low end of range. (H)=High end of range.

It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.

Source: CMHC (Starts and Completions Survey and Market Absorption Survey). Statistics Canada. CREA(MLS®). CMHC Forecast (2017-2019).

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate.
Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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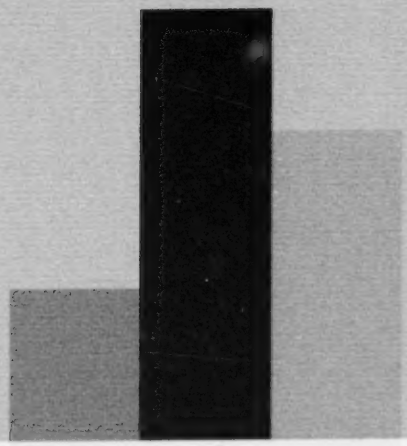

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